TRENDS IN DEFERRED GIVING AT SMALL PRIVATE UNIVERSITIES

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INTRODUCTION

The Partnership for Philanthropic Planning (PPP, formerly National Committee on Planned Giving or NCPG) in their *Guidelines for Reporting and Counting Charitable Gifts* categorizes all charitable giving into three distinct categories—outright gifts, irrevocable deferred gifts, and revocable deferred gifts (Partnership for Philanthropic Planning, 2009). This thesis examined irrevocable and revocable deferred gifts and began with a conversation with the Director of Planned Giving at Princeton University, Ron Brown, who indicated that irrevocable gifts had been in decline and revocable gifts were dramatically increasing at Princeton due to the struggling and uncertain economy. Perhaps this trend was taking place at other institutions, but data to support this hypothesis were not readily available. This thesis explored trends in irrevocable and revocable deferred giving at small private universities. In the summer of 2010, as part of Dr. Lenkowsky's Human and Financial Resources class at Indiana University's Center on Philanthropy, this topic was pursued through a resource analysis project. The analysis surveyed 21 small private institutions around the United States and provided irrevocable and revocable data for the five year period FY06-FY10. While nine institutions (of the 21) chose to participate, the data yielded a notable trend of decreasing irrevocable deferred gifts by -48% and an increase in revocable deferred gifts by 53%. With this resource analysis as the foundation and beta-test of the survey instrument, a more in-depth study of the trends in deferred giving at small private universities can now be attempted.

One challenge of gathering comparable data is that charities have various definitions and methods for counting and reporting deferred gifts. The PPP guidelines provide the definitions used in this research. Irrevocable deferred gifts are defined as "committed during the reporting period, but usable by the organization at some point after the end of the period" (PPP, 2009, p. 2). Examples include split interest gifts such as charitable gift annuities and charitable remainder trusts (CRT) that cannot be changed (with the exception of a CRT that retains the ability to change the beneficiary of the remainder value) by the donor once established. These gifts are to be reported at the face value of the gift, defined as the initial dollar amount that established the irrevocable deferred gift. Revocable deferred gifts are defined as "solicited and committed during the reporting period, but which the donor retains the right to change the commitment and/or beneficiary reported at estimated current value" (PPP, 2009, p. 2). Examples include estate provisions (bequest), beneficiary designations of retirement plan assets, or beneficiary designation of a life insurance policy that the donor can change the beneficiary or the percentage of designation to the beneficiary(s).

To differentiate between planned giving and deferred giving for this thesis, planned giving is more broadly defined than deferred giving. Deferred giving, both irrevocable and revocable, implies that a gift will be given or will be usable by the charity in the future. Planned giving includes deferred gifts, and also includes endowment gifts, outright gifts of noncash assets such as, but not limited to real estate, securities, or tangible personal property. Further deferred giving definitions used within the survey instrument and this thesis were adapted from the *Guidelines for Reporting and Counting Charitable Gifts* created by the Partnership for Philanthropic Planning and can be located online at www. pppnet.org/pdf/PPP_counting_guidelines_(2009).pdf.

Research on trends in deferred giving at small private universities provides relevant information for planned giving operations, educational advancement and the nonprofit sector. Knowing the trends in deferred giving will assist development departments to maximize the use of human and financial resources. If revocable gifts are increasing while irrevocable gifts are decreasing, it may be wise to responsively allocate more resources to attracting revocable gifts during a down economy even though the payoff of the gift is in the future. While the future gain could be substantial, donor engagement and connection will grow as institutions have operated in a donor-centric fashion and established a meaningful legacy gift through the donors' estate plan. As the economy improves, those who have taken this donor-centric approach could be better positioned to benefit from renewed outright gifts. The 2007 Study of Bequest Giving for Campbell and Company by the Center on Philanthropy shows that on average, bequest donors give more than twice as much on an annual basis as do individuals without a bequest provision (Krauser & Campbell & Company, 2007). Perhaps this Center on Philanthropy study suggests that bequest donors are more engaged with their charitable beneficiaries and demonstrate this through increased regular annual giving.

According to Robert Sharpe, the bequest and other revocable deferred gifts are considered to be the most donor-centric of planned giving vehicles because they allow for the donor to retain control of assets, prepare for the unseen, and have confidence that their legacy will live on into the future (Sharpe, 1999). Given the current economy and uncertain future, it may be wise for development operations to increase the focus on revocable deferred gifts and in doing so, communicate to donors that the institution has their best interests in mind, and is willing to meet their needs in the process of securing future resources. While there could be an increased emphasis on revocable giving during a recession, a strong and wise planned giving effort will continue to promote the various irrevocable vehicles so that when the economy recovers, donors are educated about options that may prove more effective (at that time) for the donor.

Context

In order to understand the significance of potential current trends in deferred giving, a historical context is needed to provide perspective and comparison. The tax environment in the 1970s and the Tax Reform Act of 1969 established the ability to create the irrevocable charitable remainder unitrust (CRUT) and charitable remainder annuity trust (CRAT) and encouraged the development of the planned giving profession (PPP, 2011). Capital gains tax was 28% as of 1997, today it is 15%, and the top income tax bracket for a number of years in the 1970s was 70% while today it is only 35% (Tax Policy Center, 2011). As late as 1976, the top estate tax rate was 77% on any amount over $60,000 (Jacobson, Raub, & Johnson, 2007). With the introduction of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the estate tax was on an annual decline to a point of complete repeal in 2010 (United States, 2001). In 2011, the estate tax was reinstated with a threshold of $5 million for an individual and $10 million for a married couple with an estate tax of 35% on any amount beyond the threshold. While the CRT was established with the Tax Reform Act of 1969, the nonprofit sector was slow to understand and implement the benefits of the new legislation. The charitable gift annuity had been widely used for many years, but it was not until the 1980s and 1990s that the CRT was used to its fullest potential. Fueled by rapid asset appreciation, irrevocable deferred giving options were financially beneficial for the donor and the remainder beneficiaries. Certainly, many circumstances have changed since that time. When diminished tax advantages are combined with the current uncertain and depressed economic climate of the last three years, planned giving vehicles like the CRT or Charitable Gift Annuity (CGA) seem to lose their appeal from a tax and financial perspective.

Sharpe (1999) determined that before an individual makes an irrevocable gift, he and his gift planners need to pay special attention to preparation for unexpected emergencies, death of a spouse, permanent disability, and retirement. With the uncertain tax environment prior to December of 2010, the struggling economy, and the donor's need for careful planning amidst declining asset values, it is no wonder irrevocable deferred giving options are decreasing. Ron Brown talks about the planned giving climate at Princeton University:

> Certainly bequests are at the top of the list and the income gifts are just not at the level they were a few years ago. I don't see a lot of signs that the economy has given people enough confidence going forward that something like a unitrust is a good idea. I think for the immediate future (1-3 years) that we could probably focus on bequests, and I know that for many charities it is difficult because it doesn't put money in your hands and it's not an irrevocable gift, but I think it's just where people are right now. And for older donors, gift annuities are attractive, but we haven't seen a huge number of gift annuities either (personal communication, March 4, 2010).

Pre-Test/Resource Analysis Findings

Data from each institution gathered during the 2010 resource analysis were combined for each fiscal year from FY06 to FY10. The mean of each fiscal year shows a decrease in sum of irrevocable deferred gifts of -48% and an increase in sum of revocable deferred gifts of 53% from FY06 to FY10. The median shows a decrease in the sum of irrevocable gifts of -42% and an increase in the sum of revocable gifts of 51%. The data also revealed a decline in the mean number per institution of irrevocable deferred gifts from 23 to 12, and a modest decline in the mean number of revocable deferred gifts from 25 to 22 from FY06 to FY10.

University C's data in revocable deferred giving demonstrated extraordinary results for FY10 as a part of a capital campaign. In FY09, University C reported $7,341,261 and one year later experienced growth of nearly five times that amount to $34,477,384. While this number supports the hypothesis of this resource analysis, it also significantly skews the results. To normalize this outlier, the actual FY10 value was replaced with the mean of all five years, $11,354,040. This same practice was applied to the number of revocable deferred gifts for the same year, which was also extraordinarily high. The rationale for not discarding the entire institution from the data is twofold. The sample size is very small and would be potentially less meaningful without the data. Also, if it were possible, any institution would prefer to finish a capital campaign with outright or irrevocable deferred gifts instead of having to endure the uncertainty and longevity of revocable deferred gifts despite the PPP findings that estate commitments are rarely revoked. This finding further demonstrates that revocable deferred gifts are more appealing during this challenging economic climate.

Summary

There appear to be trends in deferred giving at small private universities but, there are several unknown facts about the trends. What are the trends and why are they happening? Are there resources for the planned giving community to monitor such trends or analyze the trends as they develop? A review of the literature provides some assistance in answering these important questions.

LITERATURE REVIEW

While research and sources of information on the effect of the economy on revocable and irrevocable deferred gifts are sparse, there are a number of publications which briefly discuss the subject. The annual Voluntary Support of Education (VSE) Report by the Council for Aid to Education, presents a rich compilation of data from more than 50 years on most, but not all, institutions of higher education. The VSE reports on irrevocable deferred giving at the present value/discount value of the gift which is defined in the VSE as "the tax deduction the donor was allowed for the gift" (Council for Aid to Education, 2010, p.13) in the year that it was established. The VSE also reports on bequest giving as the gifts are received from the estate of the deceased but not as they are initially established. Of significance to this study and not found in other literature, it is noted in the 2009 VSE that:

> Bequest giving fluctuates in significance because of circumstances that affect lifetime gifts. For example, when economic conditions are strong, individuals respond by increasing giving, and bequest giving becomes less significant. Deferred gifts (irrevocable), in contrast, are sensitive to the current year economy, and they fluctuate in number and value along with the economy (Council for Aid to Education, 2010, p.13).

The reporting on revocable and irrevocable deferred giving in the VSE report is helpful but is inconsistent with the counting standards established by PPP. The PPP guidelines provide significant detail about counting and reporting the wide variety of giving to the nonprofit sector. Two items of importance for this analysis and notable differences with the VSE report are that (a) PPP suggests that irrevocable gifts should be counted at the full face value, and (b) revocable gifts (e.g. bequests) should be counted in the year they are established and not only when they are actually received upon the death of the decedent (PPP, 2009). These PPP guidelines provide definitions and clarity for this research.

The creation of PPP's counting standards is closely linked with the counting standards of the Council for Advancement and Support of Education (CASE), *Management and Reporting Standards* (2007). Phil Purcell, VP of Planned Giving for the Ball State Foundation and former NCPG Board member recalls the details that led to the creation of the PPP standards and the creation and subsequent revision of the CASE standards. Capital campaigns of colleges and universities were receiving an increasing level of criticism as they announced their successes but funds were unable to be used. In defense of higher education, CASE developed counting standards that did not allow for revocable deferred giving to be counted in campaigns. Recognizing the significance of revocable deferred gifts, NCPG developed their own counting standards, *Guidelines for Reporting and Counting Charitable Gifts*, by 2006 (Bigelow & Latchem, 2005; personal communication, March 29, 2011). In 2007, the Association of Fundraising Professionals (AFP) endorsed the NCPG standards and by 2008 CASE had approved recommendations from their Campaign Standards Working Group to revise their standards. The CASE standards now allow for the counting of revocable gifts and the counting of irrevocable gifts at face value as well as the discount present value. (Association of Fundraising Professionals, 2007; Council for Advancement and Support of Education, 2011; PPP, 2011).

Giving USA (GUSA) serves as a valuable resource in this research through the measurement of matured bequests. GUSA shows that bequests accounted for $22.83 billion, or 8% of total giving in 2010. In the 2009 GUSA report, it is noted that there are an estimated 120,000 bequests made from estates each year. It was also noted within that report that the amount given since 2001 has been lower perhaps due to the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) which gradually lessened the estate tax burden culminating in the repeal of the estate tax in 2010. With the use of the unlimited charitable estate tax deduction, bequests serve as a means to reduce the taxable estate and therefore lessen estate tax while also making a gift to charities. The overall bequest number is formulated with estimates of bequests from federal estate tax returns as well as estimates of bequests from estates not required to file (Giving USA Foundation, 2009, 2010). While GUSA is an excellent resource for the bequest provisions given to charities, it does not include revocable deferred gifts in the year they are established.

The Bank of America Merrill Lynch 2010 Study of High Net Worth Philanthropy by the Center on Philanthropy (BOA) includes several key findings related to the topic of trends in deferred giving. The BOA research shows that high net worth (HNW) households gave 34.9% less in outright gifts in 2009 than in 2007, and 71.2% give when they feel “financially secure.” Among the various subsectors, education, which is more broadly defined than higher education, was second only to health in the percentage of decline of giving, experiencing a drop of 55% from HNW households. These findings are related in that overall giving and irrevocable deferred giving have the common aspect, with a few exceptions, of having to relinquish control of an asset, financial or otherwise, in order to make the gift.

The BOA findings show that 46% of HNW households have included a charitable bequest in their estate plans and 12% would consider doing so in the next three years. In

2006 and 2008, 41.2% and 55.9% respectively of HNW households included a charitable bequest in their estate plans. The BOA findings also show that HNW households which regularly attend religious services gave six times more to religious causes than those that do not regularly attend religious services (this finding is relevant to this thesis as membership in the Council of Christian Colleges and Universities is studied as an independent variable). The BOA study also establishes that tax policy plays a role in giving during life and through charitable estate planning. Among the findings is that 43% of HNW households would increase their bequest if the estate tax were permanently repealed. At the time of this 2010 BOA survey, the estate tax had been repealed and its future was uncertain. Of particular interest to this research on trends in deferred giving at small private universities, the BOA data include HNW households that have or would consider establishing in three years particular charitable vehicles including “will with charitable provision” (will) (p. 69) as well as “charitable remainder or lead trust”(CRT) (p. 69). In 2008, HNW households reported considerably higher percentages of having the giving vehicles of a will at 55.9% and CRT at 17.3% than they did in 2010 with will at 46.5% and CRT at 15.4%.

Of greater consequence are the considerations or planning of HNW households during these same timeframes. In 2008, 37% of HNW households were considering a will with charitable provision compared to only 11.7% in 2010. This finding contests the idea that revocable deferred gift commitments, at least for high net worth households, increase during periods of economic decline. In regard to the irrevocable CRT, 2008 showed 20.9% of HNW households were considering a CRT or lead trust while 2010 showed only 8% (Center on Philanthropy & Bank of America, 2006, 2008, 2010). It is important to note that the 2008 BOA survey was distributed between July and August of 2008, and the historic decline of the stock market took place in late September and early October, 2008 (Dolmetsch, 2008). It is clear that the change in economic climate between the 2008 BOA survey and that of 2010 played a role in the irrevocable and revocable charitable plans of HNW households. The 2007 Study of Bequest Giving for Campbell and Company was completed by the Indiana University Center on Philanthropy's Campbell and Company Scholar, Emily Krauser. The study highlights the demographic differences in who makes bequests and in the process uncovers several interesting facts about the importance of bequests. Of the households surveyed (N = 2,000+), one in three said they did not have a charitable bequest but would consider including one in their estate plans. Also found in the survey was that those most likely to include a charitable bequest have at least a bachelor's degree and are between the ages of 40 and 60. As noted earlier, on average, bequest donors give more than twice as much on an annual basis as do individuals without a bequest provision (Krauser & Campbell & Company, 2007).

The PPP completed *Planned Giving in the United States 2000: A Survey of Donors* to better understand the usage of the most common planned giving vehicles: bequests, charitable gift annuities, and charitable remainder trusts. Among the key findings is that only 42% of individuals surveyed had completed a last will and testament; however, 57% said they were considering doing so. Only 8% had included a charitable bequest in their estate plans, and 14% indicated they were considering including a charitable bequest. The PPP's findings also indicated that the average age for individuals to first include a charitable bequest is 49, which is much younger than was previously believed. Another important discovery is that only 32% of those surveyed had informed charities of their bequest intentions, leaving 68% of bequests as unknown to charities. Of donors who have established an irrevocable deferred gift vehicle, Charitable Remainder Trust (CRT), 50% have informed the charities named as the remainder beneficiaries. Individuals indicated that the charities were a primary source of education about bequests (34%), CRTs (26%), and charitable gift annuities (62%) (PPP, 2000).

Havens and Schervish (1999, 2003) of the Center on Wealth and Philanthropy have been addressing the impending wealth transfer from the 1998 to 2052 period. A more recent work on the subject, *Wealth Transfer: A Digest of Opinion and Advice*, provides an update to earlier works primarily regarding the estimate of $1.7 trillion out of the $6 trillion in charitable bequests that was predicted for the first 20 years (Havens & Schervish, 2006). Their article is a response to a *Chronicle of Philanthropy* article which questioned the validity of Havens & Schervish outlook stating that bequest levels would have to rise to $120 billion each year, from 2005 to 2017, in order to reach the level that has been predicted (Hall, 2006). Havens and Schervish counter the argument by pointing out the factors of slower growth of assets, longer life expectancy, and increased giving during life that have only delayed the eventual $41 trillion transfer of wealth and $6 trillion in charitable bequests that serve as the low end of their projections (Havens & Schervish, 2006).

Sharpe (1999), in *Planned Giving Simplified: The Gift, The Giver, and the Gift Planner*, highlights the potential conflict between the best interests of charities and the best interests of donors when it comes to revocable and irrevocable gifts. He notes that the institution needs cash now, or at least wants to be able to plan for cash later through an irrevocable instrument. The donor, however, needs to prepare for the uncertain future and wants to maintain control of assets through deferred gifts that are revocable. "What donors are willing to give is usually not nearly as important to them as what they want to keep. Their primary concerns are maintaining their financial security while retaining their economic freedom" (Sharpe, 1999, p. 64). Sharpe's ideas are arguably even more appropriate today given the current economy than they were when originally written.

Indiana University faculty member, Dr. Adrian Sargeant, has written extensively on the topic of bequest giving in both the United Kingdom as well as the United States. One of his collaborative works, *Bequests to Educational Institutions: Who Gives and Why?* (2009), is especially relevant to this research topic. Sargeant (2009, 2011), through extensive research on bequests, finds that the elderly, women, people of faith, and those without children or grandchildren are more likely to include a bequest in their estate plans. However, he notes that bequests should be marketed to younger audiences as well, citing the PPP (2000) survey results that 49 is the average age when individuals first include a charitable bequest in their estate plans. He discusses the motives of bequest donors, such as "lack of family need, the avoidance or reduction of tax, a need to live on and 'spite' (i.e. some donors felt aggrieved at the way they had been treated by relatives…)" (Routley, Sargeant, & Scaife, 2007, p. 196). The performance of the organization in both the impact of its work and the treatment of constituents was also a significant factor for those making bequests. The motive of "reciprocity" is especially relevant to colleges and universities as bequest donors desire to "give back" significant influence in their lives (Routley, Sargeant, & Scaife, 2007). In another work, *Bequest Giving: Revisiting Donor Motivation with Dimensional Qualitative Research*, Sargeant (2011) finds that "identification" is a significant motivation for bequest donors in that they desire to be identified with the organization as relationships develop over time. They also discovered a correlation between the values of the organization and the values of the donor. The level of identification was positively influenced by the “fit” between the donor’s values and the organization’s ability to encourage those values to endure (Sargeant & Shang, 2011).

Russell N. James (2009, November), Assistant Professor and Director of Graduate Studies in Charitable Planning at Texas Tech University, has also written several journal articles about his research on bequest giving. While at the University of Georgia in 2009, James wrote *The Myth of the Coming Estate Windfall*. Referring to the intergenerational transfer of wealth by Havens and Schervish (1999, 2003, 2006), James finds that while bequests to charities are significant (averaging from 4.0 to 8.6 times of annual giving), they are offset by the loss of annual giving and volunteering by the decedent. “The value of continuing the annual giving income stream is greater than the value of the lump-sum transfer at death” (James, 2009, November, pp. 671-672). While this statement may be true from the research that James completed, it seems to imply that charities should not pursue revocable deferred gifts. James finds that the Havens and Schervish estimates are overly optimistic and could lead nonprofit managers to make wrong decisions about their future operations and revenues.

In, his 2009 article, *Wills, Trusts, and Charitable Estate Planning: An Analysis of Document Effectiveness Using Panel Data*, James wrote about unfulfilled estate plan intentions after the death of the donor and how the charitable vehicle of choice influences the outcome. James finds that a bequest was more likely to occur from a donor who had funded an inter vivos trust than for a donor who only had a will. The data from the research indicate a surprisingly low conversion rate from individuals who had indicated charitable estate provisions before death to those whose estate actually made charitable distributions after death. James found that funded inter vivos trusts had a conversion rate of 56% compared to that of wills at 35%. There are several factors which potentially explain the results, such as (a) transfer to surviving spouse with a bequest upon the second death, (b) lost estate documents, (c) altered plans before death, (d) lack of effective planning, and (e) falsely communicated plans. However, the most disturbing reason for this gap between charitable estate intentions and actual estate distributions is "heir malfeasance" where estate documents with charitable intentions are destroyed. James notes that this possibility is more likely to occur when the decedent only has a will rather than a funded trust which holds title to the assets (James, 2009). Regardless of the reason, these results raise concern about the reliability of revocable deferred gifts and highlights the importance of encouraging donors to talk with their heirs about their estate plans.

Summary

While the literature provides insight into the characteristics of deferred gifts and research on deferred giving donors and their motivations, the trends in deferred giving at small private universities are undeveloped as a research topic. Even annual resources like the VSE and GUSA fail to capture the essential information to accurately track revocable and irrevocable deferred gifts according to PPP and CASE counting standards. This research on trends in deferred giving at small private universities attempts to begin the work to provide resources and answers for higher education, the planned giving community, and the nonprofit sector.

METHODOLOGY

Research Question

This thesis sought to answer several critical questions. However, there are two primary questions which were addressed: *What are the trends in irrevocable and revocable deferred giving at small private universities over the last six fiscal years, and what are the primary reasons for these trends?*

Methodological Design

The research collected both qualitative and quantitative data and informed a multivariate trend analysis of deferred giving results (dependent variable) at small private institutions. Small private institutions were defined as having up to 6,000 students at institutions categorized in the private Carnegie Classifications (private doctorate granting universities, private master's colleges and universities, private baccalaureate colleges, and private special focus institutions) in the Council for Aid to Education's 2009 Voluntary Support of Education (VSE) report. The research included a full sample of the 33 Coalition of Christian Colleges and Universities with an enrollment of up to 6,000 students, and which also participated in the VSE. The research was also conducted through a random sample of 20% of the remaining 450 private colleges and universities that met the enrollment and VSE criteria.

CCCU Affiliation

This thesis attempted to determine differences between the trends among the Coalition for Christian Colleges and Universities (CCCU) and the rest of the sample. It is important to note that the CCCU is a subset of all religious institutions, as there are many Catholic colleges and universities as well as many universities which have religious backgrounds with varying levels of adherence to the tenants of their founding. Participating CCCU institutions are a grouping of convenience which happen to be mostly Evangelical Christian.

Age and Number of Alumni

The variable of institution age was examined to determine differences between older and younger institutions. Perhaps an older institution has been able to develop a history of deferred giving that would prove more effective than younger institutions. The variable of number of living alumni was also examined as a measurement of size and institutional longevity. This will determine if the institution has recently grown or if they have had a strong enrollment for a number of decades.

Endowment Size

The variable of endowment size was examined at different intervals of large and small endowments determining differences between institutions with large and small endowments. While a large endowment could have been partially created by a long history of effective fundraising, it is important to avoid making assumptions that large endowments are directly related to deferred giving best practices and vice versa.

Budgets

There are a number of budgets that are considered as variables. The institutional budget provided a perspective of size, but also perhaps the affluence of the student population. The Advancement/Development budget provided a perspective of the resources available to help secure the overall dollars raised. The planned giving budget shed light on the priority the university places on securing both sources of deferred gifts.

Perceived Factors of Influence

Other independent variables included both internal forces (capital campaign including endowment, key staff turnover, presidential transition, credentials of planned giving officer, adoption of PPP and/or CASE counting standards) and external forces (economy, uncertain tax environment, value of assets).

Dependent Variable. Trends in deferred giving at small private universities.

Independent Variables. CCCU Affiliation, Age, Number of Living Alumni, Budgets, Endowment Size, Internal Perceived Factors of Influence, External Perceived Factors of Influence.

The correlation coefficient of the independent variables determined the relationship between the trends in deferred giving and the independent variables. The ability to test the trend across all independent variables through a multiple regression analysis determined which variables are impacting the trend of deferred giving. Descriptive statistics such as mean, mode, and median were also used to analyze the data and quantify the trends.

After completing the Institutional Review Board (IRB) requirements and obtaining IRB approval (Appendix A), the questionnaire (Appendix B) was sent through the mail in the middle of July with a postage paid return envelope. A full follow-up mailing was sent to unresponsive institutions in the middle of August with a deadline for completion by October 1, 2011. An introductory email was sent before the survey was received and a follow-up email ten days after the survey was put in the mail.

Summary

The research on trends in deferred giving at small private universities used a questionnaire format to determine what trends are happening within the sample. The independent variables were established to determine why the trends were occurring and if the trends are occurring broadly among small private universities or if the trends are isolated to a subset(s).

RESEARCH FINDINGS

The study had 19 participants which demonstrated notable trends in deferred giving at small private universities. Independent variables were used to determine the reasons for the trends in deferred giving. The means and standard deviations of the independent variables can be found in Table 1.

Using a multiple regression of the variables finds that two variables are predictors of trends of deferred giving. Size of endowment is a predictor of the number of irrevocable deferred gifts with 99.9% certainty, a strong relationship R = .842 and a very high practical significance of $R^2 = .709$ (Table 2). Number of living alumni is a predictor of sum face value of irrevocable deferred gifts with a 95% certainty, a medium relationship R = .613, and a high practical significance of $R^2 = .375$ (Table 3).

Table 1.

Means and Standard Deviations of Independent Variables.

Variables	Mean	SD
University Variables		
Carnegie Class	1.7368	.65338
Part of CCCU	1.6316	.49559
Number of Alumni	20,802.6316	10,668.89514
Number of Students Enrolled	2,644.3158	1,333.84986
Endowment	$155,598,000	2.91568
Expenditures	$71,600,000	4.41387
Total Support	$9,396,200	8.77354
Year Founded	1862	40.79058
Institution Budget	$78,102,000	4.43866
Advancement Budget	$1,940,600	1.14320
Planned Giving Budget	$124,935	1.465
CASE	1.1667	.38348
PPP	1.444	.51131
Credentials of PGO	3.556	1.09664
Perceived Factors of Influence		
Economy	4.2105	.91766
Value of Assets	3.9474	.84811
Tax Environment	3.2368	1.11016
Capital Campaign	3.5526	1.44236
Planned Giving Metrics	3.6316	1.64014
Planned Giving Goal	3.6842	1.45498
Key Advancement	2.3158	1.16917
Turnover	2.2105	1.13426
Presidential Transition		

Table 2.

Multiple Regression for Size of Endowment and Number of Irrevocable Deferred Gifts.

	Model
Mean Endowment	$185,920,000
Standard Deviation Endow.	3.23045
Mean Number of	19.1778
Irrevocable	23.85351
Standard Deviation	1.000
NumIRR	.842
Pearson Correlation Endow.	.000
Pearson Correlation	15
NumIRR	.842
Significance	.709
N	.687
R	
R_2	
Adj. R_2	

Table 3.

Multiple Regression for Number of Living Alumni and Sum Face Dollar Value of Irrevocable Deferred Gifts.

	Model
Mean Number of Alumni	21803.4667
Standard Deviation Alumni	9315.25426
Mean Sum of Irrevocable	$1,754,800
Standard Deviation SumIRR	1.96682
Pearson Correlation Alumni	1.000
Pearson Correlation	.613
SumIRR	.008
Significance	15
N	.613
R	.375
R_2	.327
Adj. R_2	

This research helps determine what trends in deferred giving are occurring at small private universities, and it also attempts to determine if they are occurring broadly across the sample and what variables may be influencing the trends.

Correlation coefficient of variables determined the relationship between the variables and the dependent variables of the number of irrevocable deferred gifts, sum dollar value of irrevocable deferred gifts, number of revocable deferred gifts, and sum dollar value of revocable deferred gifts. There were four variables that were positively related with one of the dependent variables. Using the Spearman coefficient (lower power test with a smaller N), the age of the university is positively related ($r_s = .587$) to the number of revocable deferred gifts at 95% certainty. Using the Pearson coefficient (higher power test with a larger N), the size of endowment has a positive relationship ($r = .800$) with the number of irrevocable gifts at 99.9% certainty. Using the Pearson coefficient, the size of the Advancement budget is positively related ($r = .856$) with the sum face value of irrevocable gifts at 99.9% certainty. Using the Pearson coefficient, the number of living alumni is positively related ($r = .613$) with the sum face value of irrevocable gifts at 95% certainty. Interestingly, membership in the Council for Christian Colleges and Universities, institution budget, PPP counting standards, CASE counting standards, or the credentials of the senior planned giving officer were not related to the dependent variables in a statistically significant way.

Correlation coefficient of perceived factors of influence indicate the perception of the degree to which each variable influences trends in deferred giving. There were three perceived factors of influence that had a relationship with the dependent variables at a high level of certainty. Using the Pearson coefficient, the economy is inversely related (r

= -.570) to the sum face value of irrevocable gifts at a 95% certainty. Using the Pearson coefficient, a planned giving goal is positively related (r = .613) to the sum face value of irrevocable gifts at 95% certainty. Using the Pearson coefficient, key advancement turnover is inversely related (r = -.729) to the sum face value of irrevocable gifts at 99.9% certainty. Value of assets, tax environment, capital campaign, planned giving metrics part of major gift officer evaluation, and university presidential transition were not significantly related to the trends in deferred giving.

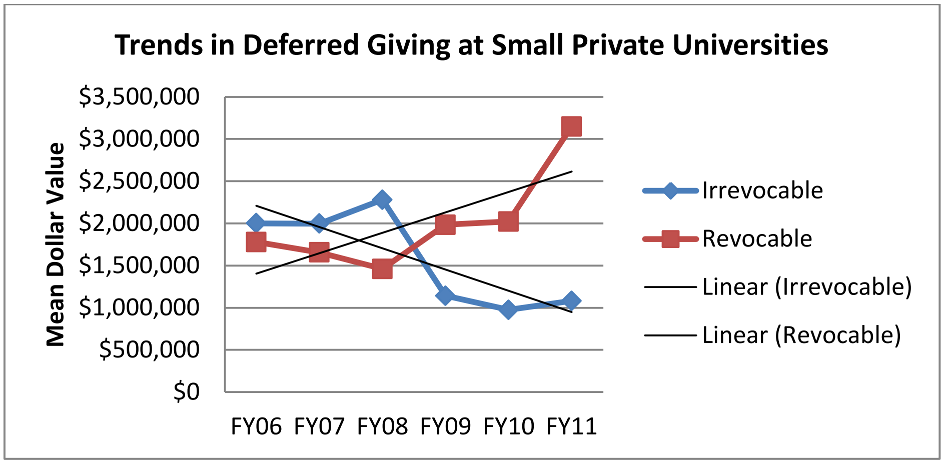
Using a multiple regression for the perceived factors of influence showed that none of the variables were predictors of trends in deferred giving.

Mean Sum Dollar Trends in Deferred Giving at Small Private Universities

The data for each institution in each fiscal year was compiled to get a sense of trends that may be occurring from FY06 to FY11. Considering the sum dollar values of both irrevocable deferred gifts and revocable deferred gifts, a considerable and opposite trend is observed in each area. The mean sum dollar value of irrevocable deferred gifts *decreased* by 46% (from $2,000,862 in FY06 to $1,080,452 in FY11). The mean sum dollar value of revocable deferred gifts *increased* over the same period by 77% (from $1,778,037 to $3,149,399). The two trends are represented in Figure 1.

Figure 1.

Trends in Deferred Giving at Small Private Universities.



There appears to be a similar trend in the mean number of irrevocable deferred gifts but less dramatic trend for the mean number of revocable deferred gifts. The mean number of irrevocable deferred gifts *decreased* by 53% (from 23 in FY06 to 12 in FY11). The mean number of revocable deferred gifts *increased* over the same period by 23% (from 17 to 21).

Correlation coefficient of variables and multiple regressions for the dependent variable of percentage change from FY06 to FY11 do not produce any relationships of significance.

Limitations of the Research

Of the 117 surveys sent, 19 surveys (16%) were returned at varying degrees of completion. During the research period, several institutions corresponded via email to express interest in participating but, in some cases, expressing regrets that they would not be able to complete the survey. Lack of time was a frequent response from institutions which chose not to participate. Inability to produce institutional results in the revocable and irrevocable areas was another common response to the request to participate. One email respondent stated:

> We really don't have a planned giving program. We wrote one CGA last year and one this year. There has been no formal program to track bequests and no one on the staff has planned giving as a specific job responsibility.

Another participant expressed the following:

> Thank you for the opportunity to participate in your research study, "Trends in Deferred Giving at Small Private Universities". Unfortunately, we are not there yet. While we appreciate the importance of your research, we are 3-5 years away from offering any substantive data. Do keep us in mind for future reference.

The comments above suggest that the methodology of the research, specifically the random selection of the sample could be problematic in that many of the potential survey respondents do not have planned giving programs for them to report. Perhaps additional research would prove more effective if the sample was determined using more sophisticated planned giving criteria.

The revocable area in particular, even within the completed surveys, seemed to be the most problematic area. One institution in particular which appears to be well resourced, sophisticated in planned giving, and respected as an old and affluent private university stated on their survey that "estates and bequests are handled in another area of the College and are not in our Planned Giving totals…we do not book revocable deferred gifts." Other institution's revocable figures for each fiscal year appeared to be potentially listed as realized bequests and not as revocable deferred gift intentions due to the fact that individual fiscal year figures included numbers other than zero in the tens, ones, and even cents categories (i.e., $3,120,347.39). These figures could suggest that the participating institution did not understand the question and used their realized bequest figures which could misrepresent the trend that is actually happening. The same potential problem appears in the irrevocable deferred gift category and may suggest that the participant used the discount present value instead of the face value. Without direct communication in person or over the phone with each participating institution, it is not possible to determine if the survey was completed correctly. Other limitations developed in the area of budget, specifically the planned giving budget, which was provided by four of the participants without salary included in the figure. One participant failed to indicate the institution name on the survey as well as any of the deferred giving results.

It is clear that the topic is complex and finding participants who report comparable deferred giving data is difficult. One complexity comes out of a lack of uniformity of counting deferred gifts. There are very few institutions that appear to follow the PPP or CASE counting standards in a way that influences their ability to gather and report basic results with uniformity. This result suggests that there is work to be done in the planned giving community to find common ground in counting and reporting.

Summary

The most significant findings are discovered in the multiple regressions. While there are several strong correlations among the variables to be discussed, the predictors of endowment size and number of living alumni are the most significant. The next chapter discusses the implications of the predictors, correlations of variables, and other deductions resulting from a review of the data.

IMPLICATIONS

Certainly the statistically significant variables coming from the multiple regressions have the most validity as a result of this research. However, there is a considerable trend in deferred giving at small private universities of decreasing irrevocable deferred giving of 46% and increasing revocable deferred giving of 77% over the last six fiscal years that is not fully addressed by the results of the research. The reasons for this trend need to be discussed, but the significant statistics tell only part of the story. This chapter will discuss the implications of the statistical analysis, and it will include discussion of other items of interest that can be extracted from the raw data.

While the research does not provide perfectly correlated relationship between the trends, several variables can be ruled out, which proves to be helpful. But, there are also several variables that are significantly related to dependent variables and need to be discussed.

Discussion of Multiple Regression

Two of the independent variables resulted in significant correlations from the multiple regressions and are considered predictors of certain trends in deferred giving at small private universities. Size of endowment is a predictor of the number of irrevocable deferred gifts with strong relationship and a very high practical significance. In the most basic terms, universities with large endowments secure a greater number of irrevocable deferred gifts than do universities with small endowments. However, a comparison of the trend of the number of irrevocable deferred gifts for universities with large endowments produces a different perspective. The top four universities, based on endowment, experienced a greater decline (55%) in the mean number of irrevocable deferred gifts from FY06 to FY11 than did the mean number for the remaining 15 universities (35%).

The second significant correlation resulting from the multiple regressions is that of the number of living alumni and sum face value of irrevocable deferred gifts. Number of living alumni is a predictor of the sum face value of irrevocable deferred gifts and is correlated at medium strength with a high practical significance. In the most basic terms, universities with a larger number of living alumni secure a greater sum face value of irrevocable deferred gifts than do universities with a smaller number of living alumni. However, a comparison of the trend of the sum face value of irrevocable deferred gifts for universities with a large number of living alumni also produces a different perspective. The top five universities, based on number of living alumni, experienced a greater decline (59%) in the mean sum face value of irrevocable deferred gifts from FY06 to FY11than did the mean sum for the remaining 14 (27%).

What conclusions can be drawn from these two variables? Size of endowment and number of living alumni are variables that were significantly related to the trends in deferred giving but would likely occur regardless of the economy. For example, it is logical that a larger group of living alumni would generate a larger number of charitable gift annuities. Perhaps size of endowment indicates the level of wealth of alumni from that institution. A constituency of greater wealth has a greater capacity to make larger irrevocable deferred gifts. Size of endowment could also indicate that the institution has a history of promoting deferred giving to its constituency and are therefore inclined toward and educated on the benefits of deferred giving. However, as noted earlier, a large endowment does not always mean that the planned giving operation is performing at a high level. But, the research demonstrates that institutions with larger endowments raise more irrevocable deferred gifts than institutions with smaller endowments.

Variables with Correlation

The year founded, otherwise known as the age of the institution, was the only variable with a correlation to revocable gifts. Older institutions receive more revocable deferred gifts than do younger institutions. The oldest university was founded in 1742 and the youngest was founded in 1907 with a mean founding of 1862. The standard deviation of year founded is 40 years. Perhaps this finding suggests that a longer institutional history, including philanthropic tradition, creates a stronger culture of revocable deferred giving than do those universities with a shorter institutional history.

Advancement budget shows a positive correlation with the sum face value of irrevocable deferred gifts. Universities which spend more money on advancement raise more money in the way of irrevocable deferred gifts like charitable remainder trusts and charitable gift annuities. This finding is a logical conclusion that larger advancement operations have a greater ability to engage and solicit donors of high philanthropic capacity with sophisticated planned giving vehicles. This finding could prove useful for universities that are considering an increased organizational investment in advancement operations.

The variables of number of living alumni and size of endowment are previously discussed as variables with correlation.

Variables without Correlation

There is not a significant correlation between the dependent variables and the credentials of senior planned giving officers. This suggests that the trend is happening at institutions with different levels of planned giving sophistication. In other words, the trend is not influenced by the credentials of the senior planned giving officer or his/her ability to navigate complicated planned giving scenarios without outside counsel.

There is not a significant correlation between trends in deferred giving and membership in the CCCU. This suggests that the trend is occurring at Christian colleges similarly to others in the sample which includes Catholic colleges, colleges with religious origins that are no longer primarily defined by those religious origins, and colleges that have no religious origins.

There is not a significant correlation between trends in deferred giving and institution budget. This suggests that the trends are occurring at both small private universities as well as those on the upper end of the 6,000 enrollment threshold. Institution budget is also influenced by price of tuition and other income sources such as fundraising and endowment income.

There is not a significant correlation between trends in deferred giving and utilization of PPP Counting Standards or CASE Management and Reporting Standards. This suggests that the trend is occurring regardless of the influence of guidelines for counting revocable and irrevocable deferred gifts. Interestingly, universities that indicated that they utilized one or both of the counting standards failed to produce or indicated that they did not monitor certain elements of the standards. For example, several schools indicate that they follow the PPP guidelines but they “do not track revocable deferred gifts.”

Perceived Factors of Influence with Correlation

There are three perceived factors of influence that have correlations with the dependent variables --the economy, a planned giving goal, and key advancement turnover. The most logical cause of the trends in deferred giving at small private universities is the economy and will be discussed in greater detail later in this chapter.

The planned giving goal is perceived as having a positive relationship with the sum face value of irrevocable gifts. Perhaps this indicates that planned giving efforts need to be proactive and focused on accomplishing a goal rather than only being reactive to donor initiative. Having a goal could push a planned giving operation toward new initiatives to find additional resources to meet the goal. Perhaps having a goal encourages planned giving stakeholders (planned giving officers, board of trustees, administration, and top donors, et al.) to take additional action to meet the goal which builds awareness about planned giving opportunities. While pursuing a goal may generate better results, it is imperative that the best interests of donors as well as the relationship with donors are not compromised in order to meet the goal.

Key advancement turnover is inversely related to the sum face value of irrevocable deferred gifts. This relationship underscores the importance of longevity for advancement staff. When key advancement staff transition away from their roles, years can be lost as replacements begin the long process of building relationships. There may be gaps of time where planned giving promotion is interrupted, momentum is lost, and potential donors shift their attention elsewhere. This relationship between key advancement staff turnover and the sum face value of irrevocable deferred gifts underscores the need for institutions to better care for their advancement staff members.

While there are several independent variables that have a relationship to the dependent variables, it can be equally important that there is not a relationship.

Perceived Factors of Influence without Correlation

There is not a significant correlation between trends in deferred giving and the value of assets as a perceived factor of influence. This suggests that the trends in deferred giving were not perceived to be influenced by values of assets despite significant drops in real estate values and volatility in the stock market. Perhaps this result would be different if donors were directly surveyed with this question.

There is not a significant correlation between trends in deferred giving and the tax environment as a perceived factor of influence. This suggests that the trends in deferred giving were not perceived to be influenced by the estate tax uncertainty during 2010 when the estate tax was repealed and a $1 million estate tax threshold was slated to take effect in 2011. "Tax environment" could also be interpreted as taxes that determine the level of tax incentives for certain deferred gift options. Capital gains tax levels and income tax levels affect the actual cost of making the gift.

There is not a significant correlation between trends in deferred giving and capital campaigns as a perceived factor of influence. This suggests that the trends in deferred giving are not perceived to be occurring because universities are engaged in a capital campaign. However, one participant indicated that their revocable deferred giving figures for FY10 were dramatically increased due to the fact that they were finishing a capital campaign through an emphasis on bequests.

There is not a significant correlation between trends in deferred giving and planned giving metrics as part of major gift officer evaluations as a perceived factor of influence. This suggests that the trends in deferred giving are not perceived to be occurring because of the integration of major and planned gifts and the fact that major gift officers are being evaluated on their planned giving activity.

There is not a significant correlation between trends in deferred giving and university presidential transition as a perceived factor of influence. This suggests that the trends in deferred giving are not perceived to be occurring because of the arrival of a new president, the departure of an old president, or the uncertainty that occurs during a transition.

Role of the Economy

Other than the age of university, none of the variables are indicators or perceived influencers of increasing revocable deferred gifts. While not significantly demonstrated in the research, a logical cause of increasing revocable deferred giving as well as decreasing irrevocable deferred giving at small private universities is the economy. Both trends begin to change in FY09 when the economy experienced a significant downturn. The trends correlate with the Dow Jones Industrial Average (Figure 2), as well as other economic indicators of gross domestic product (GDP) growth rate, and the consumer confidence index. Figure 2 shows the Dow Jones Industrial Average during the reporting period with a low of 6,763 on March 2, 2009 (Twin, 2009) (Google Finance, 2011). The trends in deferred giving at small private universities seem to align with other economic indicators. While the research has not determined a statistically significant correlation between the economy and the trends in deferred giving at small private universities, it is safe to say that it has played a role in the trends.

Figure 2.

Dow Jones Industrial Average 2006 - 2011.

Need for Further Research

After a pre-test as well as the full thesis research, it is clear that this is a difficult topic for which to obtain data. Only 16% of the sample returned a completed survey even when the potential participants received two full sets of the survey complete with a postage paid return envelope. The finding could be more robust and statistically significant with a larger response. Perhaps a completed survey should be rewarded with more than simply a promise of the copy of the findings. In addition to a larger response, a phone conversation to gather qualitative data could help ensure that the survey is completed correctly. As noted above, it is unknown whether all questions were completed correctly.

Advocacy for trends in deferred giving could lead to regular collection of data similar to that of Giving USA or the Voluntary Support of Education. This kind of regular reporting could help institutions standardize their practices. Based on the survey results, it is clear that standardization is a problem in the planned giving community. Even schools that are committed to the PPP counting standards as well as very involved with PPP as their primary planned giving affiliation have distinct differences in their programs and how they count deferred gifts.

There are other independent variables that would prove useful for this research on trends in deferred giving at small private universities. While the questionnaire requested information on the planned giving budget for each university, the question lacked clarity about whether the figure should include salary or not. Subsequently, several of the surveys were returned without salary included and rendered planned giving budgets useless as an independent variable. The questionnaire could have gathered more information about the affect of the economy on the trends of deferred giving at small private universities. There was one question directly related to the economy as a perceived factor of influence. Perhaps a series of qualitative questions would better indicate if the economy is the primary reason for the trends. Wealth of alumni could be taken into consideration based on the cost of tuition. This would be an easy figure to produce and could help determine if the wealth of constituents influences any of the independent variables. CCCU institutions were only asked to participate if they submit data to the VSE. Only 33 of the 113 CCCU member institutions submit data to the VSE which should be more encouraged by the CCCU as a best practice that should be adopted or even a requirement for membership. While 6 (18%) of 33 CCCU schools participated in the research, there were not enough data to approach significance. Perhaps additional research would include a larger sample of CCCU institutions.

This research on trends in deferred giving at small private universities was conducted by requesting information from the director of planned giving or the equivalent. In many cases, the questionnaires were completed by the director of donor services or a planned giving office assistant who likely has very little donor interaction. Additional research could survey planned giving donors in addition to institutions to determine donor rationale, motivations, and concerns. A broad survey of bequest donors could yield very helpful information about why donors choose revocable deferred gifts over irrevocable deferred gifts or outright gifts. Conversely, a broad survey of charitable gift annuitants could yield very helpful information about their personal circumstances, perceptions about the benefits of irrevocable gifts.

In summary, there is a great deal of further research to be conducted on trends in deferred giving at small private universities. Further research could have a dramatic impact for higher education, the planned giving community, and the nonprofit sector in regard to the understanding of trends and how they should respond.

APPENDIX A

Institutional Review Board Approval

INDIANA UNIVERSITY

OFFICE OF RESEARCH ADMINISTRATION

To: DWIGHT F BURLINGAME
CENTER ON PHILANTHROPY

From: IU Human Subjects Office
Office of Research Administration – Indiana University

Date: June 08, 2011

RE: **EXEMPTION GRANTED**

Protocol Title: Trends in deferred giving at small private institutions.

Protocol #: 1105005272

Funding Agency/Sponsor: None

IRB: IRB-IUB, IRB00000222

Your study named above was accepted on June 08, 2011 as meeting the criteria of exempt research as described in the Federal regulations at 45 CFR 46.101(b), paragraph(s) (2) . This approval does not replace any departmental or other approvals that may be required.

As the principal investigator (or faculty sponsor in the case of a student protocol) of this study, you assume the following responsibilities:

Amendments: Any proposed changes to the research study must be reported to the IRB prior to implementation. To request approval, please complete an Amendment form and submit it, along with any revised study documents, to irb@iu.edu. Only after approval has been granted by the IRB can these changes be implemented.

Completion: Although a continuing review is not required for an exempt study, you are required to notify the IRB when this project is completed. In some cases, you will receive a request for current project status from our office. If we are unsuccessful at in our attempts to confirm the status of the project, we will consider the project closed. It is your responsibility to inform us of any address changes to ensure our records are kept current.

Per federal regulations, there is no requirement for the use of an informed consent document or study information sheet for exempt research, although one may be used if it is felt to be appropriate for the research being conducted. As such, these documents are returned without an IRB-approval stamp. Please note that if your submission included an informed consent statement or a study information sheet, the IRB requires the investigational team to use these documents.

You should retain a copy of this letter and any associated approved study documents for your records. Please refer to the project title and number in future correspondence with our office. Additional information is available on our website at http://researchadmin.iu.edu/HumanSubjects/index.html.

If you have any questions, please contact our office at the below address.

Thank you.

1 | c/o IU Human Subjects Office | 530 E Kirkwood Avenue | Carmichael Rm 203 | Bloomington IN 47408 | (812) 856-4242 | irb@iu.edu

APPENDIX B

Questionaire

IRB STUDY #XXXXXXXXXX

INDIANA UNIVERSITY STUDY INFORMATION SHEET FOR
Trends in Deferred Giving at Small Private Universities.

You are invited to participate in a research study about the trends in deferred giving at small private universities (IRB study # ________). Your institution has been randomly selected as a possible participant in this study because it is a small private university with an enrollment headcount up to 6,000 students. We ask that you read this form and ask any questions you may have before agreeing to be in the study.

This study is being conducted by Dr. Dwight Burlingame (Principal Investigator) and Michael Falder (Co-investigator/student) from Indiana University's Center on Philanthropy. This study is being conducted as part of a Master's Thesis, in the Master of Arts in Philanthropic Studies program.

STUDY PURPOSE:

The purpose of this study is to determine the trends in deferred giving at small private universities. The information collected will benefit small private universities and other 501(c)(3) nonprofit organizations as they make decisions about the use of human and financial resources.

PROCEDURES FOR THE STUDY:

If you agree to be in the study, you will do the following things: complete the following questionnaire and send it in the enclosed, self addressed stamped envelope.

CONFIDENTIALITY:

Efforts will be made to keep your personal information confidential. We cannot guarantee absolute confidentiality. Your personal information may be disclosed if required by law. Your identity will be held in confidence in reports in which the study may be published. Organizations that may inspect and/or copy your research records for quality assurance and data analysis include groups such as the study investigator and his/her research associates, the IUPUI/Clarian Institutional Review Board or its designees.

PAYMENTS:

You will not receive payment for taking part in this study. However, you will be provided with a copy of the final report.

CONTACTS FOR QUESTIONS OR PROBLEMS:

If you have any questions about the study, please contact Michael Falder (Co-investigator/student) 792 Silverman Blvd., Upland, IN 46989, (765) 667-6245, mfalder@iupui.edu or Dr. Dwight Burlingame (Principal Investigator), Indiana University, Center on Philanthropy, 550 West North Street #301, Indianapolis, IN 46202 (317) 278-8926, dburling@iupui.edu.

For questions about your rights as a research participant or to discuss problems, complaints or concerns about a research study, or to obtain information, or offer input, contact the IU Human Subjects Office at (317) 278-3458 or (800) 696-2949.

VOLUNTARY NATURE OF STUDY:

Taking part in this study is voluntary. You may choose not to take part or may leave the study at any time. Leaving the study will not result in any penalty or loss of benefits to which you are entitled. Your decision whether or not to participate in this study will not affect your current or future relations with Indiana University or the Center on Philanthropy.

SUBJECT'S CONSENT

In consideration of all of the above, I give my consent to participate in this research study. I will be given a copy of this informed consent document to keep for my records. I agree to take part in this study.

Subject's Printed Name:____

Subject's Signature:____**Date:**

(must be dated by the subject)

Printed Name of Person Obtaining Consent:____

Signature of Person Obtaining Consent:_____________________________________**Date:**

Trends in Deferred Giving at Small Private Universities.

1. **Name of institution:**

2. **Year founded:**

3. **Size of endowment at the end of FY11:**

4. **Institution budget:**

5. **Advancement budget:**

6. **Planned Giving budget:**

7. **Number of living alumni:**

8. **Does your institution utilize:**
    a. **The Partnership for Philanthropic Planning (formerly NCPG) *Guidelines for Reporting and Counting Charitable Gifts*?: Yes No**
    b. **CASE** *Management and Reporting Standards*: **Yes No**

9. **What are the credentials of your senior planned giving officer? (check all that apply)**
    a. **CFRE**
    b. **CFP**
    c. **MA/MPA**
    d. **JD**
    e. **PhD**
    f. **Other Please List:**

10. **What dollar value do you assign to an estate commitment when an exact dollar figure or percentage of total estate is unknown?**

11. **What dollar value do you assign to an estate when an estate commitment is provided as a percentage of the estate? i.e. Generous donors have included XYZ University in their estate plans for 10% of their estate but the size of estate has not been established.**

12. **What documentation do you require for counting a revocable deferred gift? Check the one that best applies:**
    a. **Verbal notification**
    b. **Some form of written notification (email, completed response device, etc.)**
    c. **Copy of the legal document, section specific to their charitable bequest**

13. What factors have influenced the results of your planned giving efforts? Check the box that best describes: 1- strongly agree 2-agree 3- neutral 4-disagree 5- strongly disagree

a. Economy 1 2 3 4 5
   i. Comments

b. Value of assets 1 2 3 4 5
   i. Comments

c. Tax environment 1 2 3 4 5
   i. Comments

d. Capital campaign 1 2 3 4 5
   i. What years
   ii. Comments

e. Planned giving metrics part of major gift officer evaluation 1 2 3 4 5
   i. Comments

f. Planned giving goal 1 2 3 4 5
   i. Comments

g. Key advancement staff turnover 1 2 3 4 5
   i. Comments

h. University presidential transition 1 2 3 4 5
   i. Comments

i. Other Please explain:

14. Number of irrevocable deferred gifts for each of the last five fiscal years.

> **Definition of irrevocable deferred gift:** Gifts committed during the reporting period, but usable by the organization at some point after the end of the period. Examples include:
>
> a. Split interest gifts such as immediate or deferred charitable gift annuities, pooled income fund and charitable remainder trusts in which the beneficiary designation is irrevocable.
> b. Life estates with remainder interest
> c. Death benefit of paid up life insurance in which the charity is both owner and beneficiary.
> d. Irrevocable testamentary pledges or contract to make a will
> e. Lead trust distributions to be made after the reporting period
>
> Adapted from: Partnership for Philanthropic Planning. (2009). *Guidelines for Reporting and Counting Charitable Gifts (2nd Ed.).* Indianapolis, IN: Partnership for Philanthropic Planning. Retrieved August 21, 2010 from web address www.pppnet.org/pdf/PPP_counting_guidelines_(2009).pdf

FY06 (Fiscal Year 2006)

FY07

FY08

FY09

FY10

FY11

15. Sum of face value of irrevocable deferred gifts for each of the last five years.

> **Definition of face value:** The initial dollar amount that established the irrevocable deferred gift.

FY06 $

FY07 $

FY08 $

FY09 $

FY10 $

FY11 $

16. Number of revocable deferred gifts in each of the last five years.

Definition of revocable deferred gift: Gifts solicited and committed during the reporting period, but which the donor retains the right to change the commitment and/or beneficiary reported at estimated current value. Examples include:

a. Estate provisions, either from a will or a living trust.
b. Charitable remainder trusts in which the donor retains the right to change the beneficiary designation. When additions are made to gifts that have been counted in previous campaign(s), the additions can be counted in the current campaign.
c. IRAs or other retirement plan assets in which the charitable beneficiary's interest remains revocable by the donor
d. Life insurance in which the donor retains ownership (face value less any policy loans) and in which charity is owner but premiums remain due.
e. The portion of Donor Advised Fund assets due to the charity at the end of the donor advising period.
f. Other revocable pledges such as Payable On Death or Transfer On Death beneficiary designations of a stock or bank account.

Adapted from: Partnership for Philanthropic Planning. (2009). *Guidelines for Reporting and Counting Charitable Gifts (2nd Ed.).* Indianapolis, IN: Partnership for Philanthropic Planning. Retrieved August 21, 2010 from web address www.pppnet.org/pdf/PPP_counting_guidelines_(2009).pdf

	Total Number	Total # with Unknown estate value
FY06		
FY07		
FY08		
FY09		
FY10		
FY11		

17. Sum dollar value of revocable deferred gifts in each of the last five years.

Definition of dollar value of revocable commitment: Based on how your institution plans for future gifts. Your practices around valuation of revocable deferred gifts will be determined in questions 6 and 7.

FY06 $

FY07 $

FY08 $

FY09 $

FY10 $

FY11 $

APPENDIX C

Thesis Results

<u>Overview:</u> Multiple tests were run to find relationships between *variables* (year founded, number of alumni, etc.) and *deferred giving* (number of gifts and sum total, both irrevocable and revocable). In addition, tests were run to understand the relationship between *perceived factors of influence* and trends in *deferred giving*.

Explanation of Findings

<u>Correlation Coefficient (r, r_s, R, R^2)</u> = the degree and direction to which the two variables are related.

1.00 = perfectly related
0.00 = no relationship
+ = positive relationship
- = inverse relationship

<u>Types of Correlation Coefficients</u>:

Pearson Coefficient (r) = simple correlation, high power test used with larger N

Spearman Coefficient (r_s) = simple correlation, low power test used with small N

Probability Statements: the degree to which the relationship between the two variables is significant.

$p > .05$: less than 95% certain there is a relationship between the two variables, cannot be considered significant

$p < .05$: 95% certain that there is a relationship between the two variables

$p < .01$: 99% certain there is a relationship between the two variables

$p < .001$: 99.9% certain there is a relationship between the two variables

Variables

Year Founded:

(for analysis to be conducted, this number was re-coded into "how many years since the school's establishment")

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	$r = -.063$	$p > .05$
Sum Face Value of Irrevocable Gifts	$r = -.052$	$p > .05$
Number of Revocable Gifts	$\mathbf{r_s = .587}$	$\mathbf{p < .05}$
Sum Dollar Value of Revocable Gifts	$r_s = .077$	$p > .05$

There is a positive relationship between the number of years since a university's establishment and the number of revocable gifts.

Council for Christian College and Universities:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	r = .04	p > .05
Sum Face Value of Irrevocable Gifts	r = -.018	p > .05
Number of Revocable Gifts	r_s = -.036	p > .05
Sum Dollar Value of Revocable Gifts	r_s = -.251	p > .05

Size of Endowment:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	**r = .800**	**p < .001**
Sum Face Value of Irrevocable Gifts	r = .454	p > .05
Number of Revocable Gifts	r_s = .332	p > .05
Sum Dollar Value of Revocable Gifts	r_s = .284	p > .05

There is a positive relationship between the size of the endowment and the number of irrevocable deferred gifts.

Institution Budget:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	r = .456	p > .05
Sum Face Value of Irrevocable Gifts	r = .420	p > .05
Number of Revocable Gifts	r_s = .051	p > .05
Sum Dollar Value of Revocable Gifts	r_s = -.042	p > .05

Advancement Budget:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	r = .495	p > .05
Sum Face Value of Irrevocable Gifts	**r = .856**	**p < .001**
Number of Revocable Gifts	r_s = .512	p > .05
Sum Dollar Value of Revocable Gifts	r_s = .296	p > .05

There is a positive relationship between the advancement budget and the sum face value of irrevocable deferred gifts.

Planned Giving Budget:

There was not enough data to complete this analysis.

Number of Living Alumni:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	r = .330	p > .05
Sum Face Value of Irrevocable Gifts	**r = .613**	**p < .05**
Number of Revocable Gifts	r_s = .059	p > .05
Sum Dollar Value of Revocable Gifts	r_s = . 235	p > .05

There is a positive relationship between the number of living alumni and the sum face value of irrevocable deferred gifts.

Utilization of the Partnership for Philanthropic Planning Guidelines:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	r = .129	p > .05
Sum Face Value of Irrevocable Gifts	r = .018	p > .05
Number of Revocable Gifts	r_s = -.143	p > .05
Sum Dollar Value of Revocable Gifts	r_s = .107	p > .05

Utilization of CASE Management and Reporting Standards:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	r = .456	p > .05
Sum Face Value of Irrevocable Gifts	r = .354	p > .05
Number of Revocable Gifts	r_s = .304	p > .05
Sum Dollar Value of Revocable Gifts	r_s = .304	p > .05

Credentials of Senior Planned Giving Officer:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	r = .256	p > .05
Sum Face Value of Irrevocable Gifts	r = .074	p > .05
Number of Revocable Gifts	r_s = .319	p > .05
Sum Dollar Value of Revocable Gifts	r_s = .425	p > .05

Multiple Regression: Variables

A multiple regression was utilized for significant correlations in order to see if the variables would *predict* trends in deferred giving. In order for the multiple regression to be conducted, the correlation must be significant using the Pearson Correlation. There were two variables that fit this criterion.

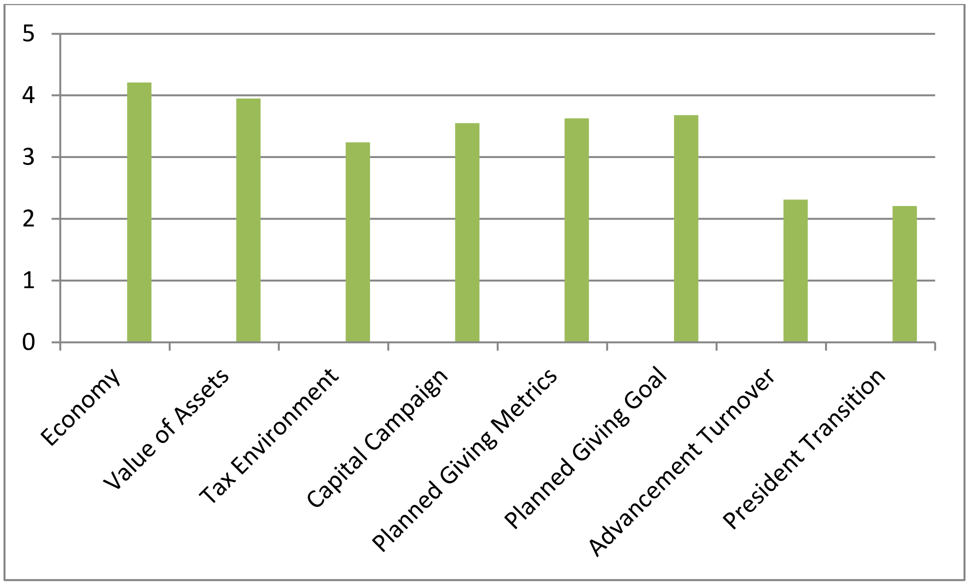
<u>Size of Endowment and Number of Irrevocable Deferred Gifts:</u>

The size of the endowment is a predictor of the number of irrevocable deferred gifts ($p < .001$). The correlation coefficient indicated a strong relationship between the two variables ($R = .842$). The practical significance of this finding was also very high ($R^2 = .709$).

<u>The Number of Living Alumni and Sum Face Value of Irrevocable Deferred Gifts:</u>

The number of living alumni is a predictor of the sum face value of irrevocable deferred gifts ($p < .05$). The correlation coefficient indicated medium strength ($R = .613$). The practical significance of this finding was high ($R^2 = .375$).

Perceived Factors of Influence



These results indicate the perception of the degree to which each variable influenced the results of planned giving efforts. The values of the likert scale were inverted, with 5 meaning strongly agree and 1 meaning strongly disagree.

Economy:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	$r = -.164$	$p > .05$
Sum Face Value of Irrevocable Gifts	$\mathbf{r = -.570}$	$\mathbf{p < .05}$
Number of Revocable Gifts	$r_s = .134$	$p > .05$
Sum Dollar Value of Revocable Gifts	$r_s = -.445$	$p > .05$

There is an inverse relationship between the perceived influence of the economy and the sum face value of irrevocable deferred gifts.

Value of Assets:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	$r = -.441$	$p > .05$
Sum Face Value of Irrevocable Gifts	$r = -.268$	$p > .05$
Number of Revocable Gifts	$r_s = -.290$	$p > .05$
Sum Dollar Value of Revocable Gifts	$r_s = -.398$	$p > .05$

Tax Environment:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	$r = .031$	$p > .05$
Sum Face Value of Irrevocable Gifts	$r = -.080$	$p > .05$
Number of Revocable Gifts	$r_s = -.302$	$p > .05$
Sum Dollar Value of Revocable Gifts	$r_s = -.134$	$p > .05$

Capital Campaign:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	$r = .087$	$p > .05$
Sum Face Value of Irrevocable Gifts	$r = -.205$	$p > .05$
Number of Revocable Gifts	$r_s = -.161$	$p > .05$
Sum Dollar Value of Revocable Gifts	$r_s = -.257$	$p > .05$

Planned Giving Metrics Part of Major Gift Officer Evaluation:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	$r = .206$	$p > .05$
Sum Face Value of Irrevocable Gifts	$r = -.005$	$p > .05$
Number of Revocable Gifts	$r_s = -.071$	$p > .05$
Sum Dollar Value of Revocable Gifts	$r_s = -.071$	$p > .05$

Planned Giving Goal:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	$r = .358$	$p > .05$
Sum Face Value of Irrevocable Gifts	**$r = .613$**	**$p < .05$**
Number of Revocable Gifts	$r_s = -.207$	$p > .05$
Sum Dollar Value of Revocable Gifts	$r_s = .033$	$p > .05$

The planned giving goal is positively related to the sum face value of irrevocable deferred gifts.

Key Advancement Turnover:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	r = -.250	p > .05
Sum Face Value of Irrevocable Gifts	**r = -.729**	**p < .001**
Number of Revocable Gifts	r_s = -.224	p > .05
Sum Dollar Value of Revocable Gifts	r_s = -.372	p > .05

There is an inverse relationship between key advancement staff turnover and the sum face value or irrevocable deferred gifts.

University Presidential Transition:

	Correlation Coefficient	Significance
Number of Irrevocable Gifts	r = .147	p > .05
Sum Face Value of Irrevocable Gifts	r = -.270	p > .05
Number of Revocable Gifts	r_s = .102	p > .05
Sum Dollar Value of Revocable Gifts	r_s = -.256	p > .05

Multiple Regression: Perceived Factors of Influence

The only significant relationships for perceived factors of influence were in relation to the sum face value of irrevocable deferred gifts. However, none of these three relationships were predictors of sum face value or irrevocable deferred gifts. However, this appears to be a logical finding; perceptions from individual universities are not accurate enough to predict overall trends in deferred giving.

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